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## THE PRESENT FINANCIAL SITUATION

BY FRANK A. VANDERLIP,<sup>1</sup>

President, National City Bank, New York.

It seems to me that it takes a great deal of courage to tell you what the effects of this war on the finances of America are to be. I know, however, that most of us do not appreciate the gravity of the war. We do not fully appreciate the tremendous forces that have been set in motion, nor do we well apprehend the direction in which we are moving.

Let us take a broad view of the facts which we do all know. We all know that ten billions of war bonds have been issued. Those figures are so large that it is impossible really to comprehend what they mean except by comparison with the indebtedness that has been issued before by these nations or by their total wealth. I happened to note in a newspaper clipping today an estimate of the wealth of different nations and I was struck by the fact that the amount of war bonds already issued is about equal to the total wealth of Spain and the Netherlands. This is a striking comparison. We have suggestive figures, but we do not really know what the cost of this war is for a year—not the cost in the creation of securities alone—but in the capitalized value of the lives lost and in the effect of industry impeded. I do not know how accurate the statement may be, but an eminent English economist has suggested that the cost might reach forty-six billion dollars. That is half the wealth of Great Britain.

This is a destruction that our minds have not attempted really to comprehend. We can hardly take it in. Now, if this great destruction has been going on, why have we not felt it more? Why is it that the world is still fairly cheerful? We have rising stock markets, not only here but abroad, rather an industrial boom in the stock market of Germany, and surprisingly easy money everywhere. Can we stand that sort of destruction of wealth and have nothing serious follow? It might seem so from the facts as we see them now,

<sup>1</sup> Remarks as presiding officer at the fifth session of the Annual Meeting of the American Academy held in Philadelphia on April 30 and May 1, 1915.

and as they concern us now, but I believe the effect has not yet been really felt. There have been an inflation of note issues and an inflation of credit which have prevented the world from feeling this shock, but my own opinion is that a shock is eventually going to be felt more severely than our rather superficial consideration has yet given us cause to anticipate. I can however only call attention to what seems to me the seriousness of the situation and cannot attempt at this time to go into any real analysis of it.